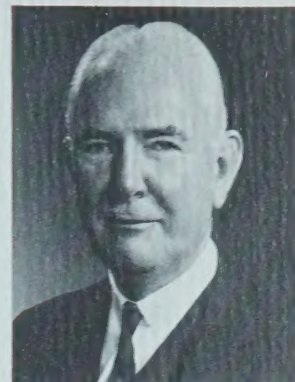


FILE



1968
ANNUAL REPORT

CANADIAN SECURITY
MANAGEMENT LIMITED



TO THE SHAREHOLDERS

I am pleased to submit the Director's report on the progress and activities of your Company for the year 1968.

In our role as distributors and managers of Canadian Gas and Energy Fund Ltd. and Canadian Security Growth Fund Ltd., we have achieved notable progress in several areas. Sales for the year were \$34,028,464 for a gain over the previous year of 25.6%. Fees from sales activity were \$536,762 for an increase of 22.2%. Sales Fee income reflects the immediate return from the development and expansion of sales activity. It should be noted from the balance sheet, however, that Fees Receivable increased to \$943,076 from \$772,854. This figure represents future Sales Fee income expected (after provision for adequate reserve against cancellations) from completion of contractual plans sold and now on the books. It should be taken into consideration as an important future source of income resulting from sales expense already assumed.

Assets under Administration stood at \$52,801,353 at the year end, compared to \$34,754,103. Since Management Fees result from this figure it is desirable to call attention to the increase in that area to \$199,160 from \$124,615. It naturally follows that future increases in this source of income will result from the large cash flow of deposits into contractual plans now on our books, as well as increases in the market value of the securities comprising the assets under administration. Cash flow generated from new sales, however, continues to be the most important factor in increasing Assets under Administration.

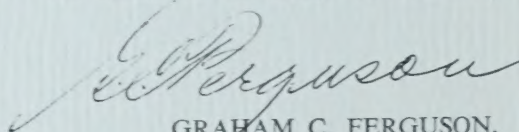
During the year an operating deficit of \$99,244 was incurred. It should be noted that while no write-off for depreciation was taken in prior years, the amount of \$20,274 for this purpose was charged against this year's operations which was included in the operating deficit.

The deficit for the year was disappointingly large. A substantial part of it was incurred in the expansion of our domestic and foreign sales activity. New branches were opened, now totalling 23, and the number of domestic sales representatives and managers increased to 293. Your company now has active representation in 24 different foreign countries. It is our belief that we are the only Canadian distributing company that has become that aggressive in taking advantage of the opportunities to sell Canadian based Mutual Funds abroad. It is our further belief, based on recent results, that the volume of sales from our International Activity will grow at a rapid rate and will be a very important factor in our future progress and earnings.

Your management is dedicated to a policy of consolidation during 1969 in order to limit the increase in expenses as much as possible, while counting on a satisfactory rate of growth of income. It would appear at this time as though a profitable operation will be achieved during the coming year.

I would like to thank all members of our organization for their loyalty and dedicated efforts during the past year.

On behalf of the Board of Directors,


GRAHAM C. FERGUSON,
President.



CANADIAN SECURITY MANAGEMENT LIMITED

MANAGERS AND DISTRIBUTORS OF

CANADIAN GAS AND ENERGY FUND LTD.

CANADIAN SECURITY GROWTH FUND LTD.

SUMMARY

For the year ended December 31	1968	1967	1966	1965	1964	1963
Total Sales						
(cash or contract basis)	\$34,028,464	\$27,087,238	\$19,599,424	\$20,047,657	\$11,992,153	\$1,153,949
Fees — Sales	536,762	439,330	341,078	334,575	194,277	8,336
— Management	199,160	124,615	76,269	50,237	32,337	7,507
Other income	4,915	9,418	9,392	9,098	10,713	2,402
Total income	740,837	573,363	426,739	393,910	237,327	18,245

As at December 31

Value of Contractual Plans on Record	\$69,459,500	\$48,165,000	\$33,865,150	\$22,217,700	\$ 9,763,750	\$ 952,160
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Sales fees receivable (after allowance for cancellation)	1,089,438	899,588	562,903	390,681	214,616	28,073
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Assets under administration	52,801,353	34,754,103	18,324,438	12,380,579	8,512,001	6,600,913
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Number of shareholders and planholders in the Funds	20,269	13,979	10,872	7,961	4,101	1,821
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Number of Representatives and Managers	293	240	195	213	151	60
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Number of sales offices	23	17	18	15	9	2
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CANADIAN SECURITY MANAGEMENT LIMITED

(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ONTARIO)

BALANCE SHEET AS AT DECEMBER 31, 1968

(WITH COMPARATIVE FIGURES FOR 1967)

ASSETS

CURRENT

	1968	1967
Cash	\$ 185,634	\$ 138,396
Accounts receivable	157,094	134,119
Marketable securities — cost		100,000
Fees receivable	146,362	126,735
Prepaid expenses	52,376	31,658
	<u>\$ 541,466</u>	<u>\$ 530,908</u>

INVESTMENT IN A WHOLLY OWNED SUBSIDIARY

\$ 24,346

INVESTMENTS — at cost

\$ 250,012

(Quoted market value — 1967 \$140,000)

FIXED — at cost (Note 1)

Furniture and equipment	\$ 202,737	\$ 161,363
LESS: Accumulated depreciation	20,274	
	<u>\$ 182,463</u>	<u>\$ 161,363</u>
Leasehold improvements (less amortized to date)	19,348	18,471
	<u>\$ 201,811</u>	<u>\$ 179,834</u>

DEFERRED

Fees receivable	\$ 943,076	\$ 772,854
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OTHER

Organization and financing expenses	\$ 73,578	\$ 73,578
Pre-operating expenses (Note 2)	24,590	\$ 24,590
Warrant redemption fund (per contra)	2,266	120,153
Prepaid rent under lease agreements	7,005	
	<u>\$ 107,439</u>	<u>\$ 218,321</u>

Approved by the Board:

J. S. GAIRDNER, Director

G. C. FERGUSON, Director

AUDITOR'S REPORT

To the Shareholders,
Canadian Security Management Limited.

We have examined the balance sheet of Canadian Security Management Limited as at December 31, 1968 and the related statements of income and expense and deficit and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1968 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except that depreciation has been provided on fixed assets as set out in Note 1, in which change we concur.

Toronto, Ontario,
April 28, 1969.

GLENDINNING, JARRETT, GOULD & CO.
Chartered Accountants

\$ 1,793,792

\$ 1,976,275

LIABILITIES

CURRENT

	1968	1967
Bank loan (secured)		\$ 125,000
Accounts payable and accrued liabilities	\$ 44,141	81,424
Commission payable	59,734	48,115
	<u>\$ 103,875</u>	<u>\$ 254,539</u>

LONG TERM DEBT

7% convertible debentures due 1971 (Note 3)	<u>\$ 250,000</u>	<u>\$ 250,000</u>
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OTHER

Warrant stabilization (Note 4)	\$ 114,138	\$ 95,367
Deferred fees	1,089,438	899,588
Warrant redemption fund (per contra)	2,266	120,153
	<u>\$ 1,205,842</u>	<u>\$ 1,115,108</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Class 'A' non-voting participating shares with a par value of \$1		
Authorized — 1,500,000 shares		
Issued — 775,000 shares	\$ 775,000	\$ 775,000
Common shares with a par value of \$1		
Authorized — 200,000 shares		
Issued — 15 shares	15	15
	<u>\$ 775,015</u>	<u>\$ 775,015</u>

DEFICIT

	<u>540,940</u>	<u>418,387</u>
	<u>\$ 234,075</u>	<u>\$ 356,628</u>

NOTES TO THE FINANCIAL STATEMENTS

1. During the year a policy of providing depreciation on furniture and equipment on a straight line basis at 10% per year was commenced. This resulted in a charge of \$20,274 against 1968 operations. No depreciation had been provided in previous years.

2. It is intended that pre-operating expenses of \$24,950 and \$22,523 of the organization and financing expenses will be charged against operations of future years.

3. The 7% convertible debentures may be converted at any time prior to November 1, 1971 into Class 'A' non-voting shares at the rate of 40 shares for each \$100 principal amount.

4. The warrant stabilization reserve represents profits from trading in Canadian Gas and Energy Fund Ltd. Series 'B' warrants. Pursuant to arrangements with the Ontario Securities Commission made in 1965 all funds derived from such trading are to be used in stabilizing the warrant market and for assistance in the eventual elimination of such warrants.

5. Contracts for equipment leases total \$70,003 and are payable in equal amounts over the next four years.

6. Rentals payable under term leases which expire within eight years total \$136,608 per year.

7. Total remuneration of directors and senior officers in 1968 was \$77,548.

<u>\$ 1,793,792</u>	<u>\$ 1,976,275</u>
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CANADIAN SECURITY MANAGEMENT LIMITED

STATEMENT OF INCOME AND EXPENSES AND DEFICIT ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 1968

(WITH COMPARATIVE FIGURES FOR 1967)

	1968				1967			
	Sales	Management	Other	Total	Sales	Management	Other	Total
INCOME								
Net fees received	\$ 536,762	\$199,160		\$735,922	\$ 439,330	\$124,615		\$563,945
Interest			\$4,915	4,915			\$6,618	6,618
Dividends from Canadian Corporations							2,800	2,800
Total Income	\$ 536,762	\$199,160	\$4,915	\$740,837	\$ 439,330	\$124,615	\$9,418	\$573,363
EXPENSES	802,301	37,780		840,081	610,527	33,804		644,331
EXCESS OF INCOME OVER EXPENSES (DEFICIENCY) FOR THE YEAR	\$(265,539)	\$161,380	\$4,915	\$(99,244)	\$(171,197)	\$ 90,811	\$9,418	\$(70,968)
ADD: Deficit beginning of year				418,387				388,619
				\$517,631				\$459,587
LESS: Realized appreciation on investments				1,738				41,200
				\$515,893				\$418,387
ADD: Investment in wholly owned subsidiary written-off				25,047				
DEFICIT AT END OF YEAR				\$540,940				\$418,387

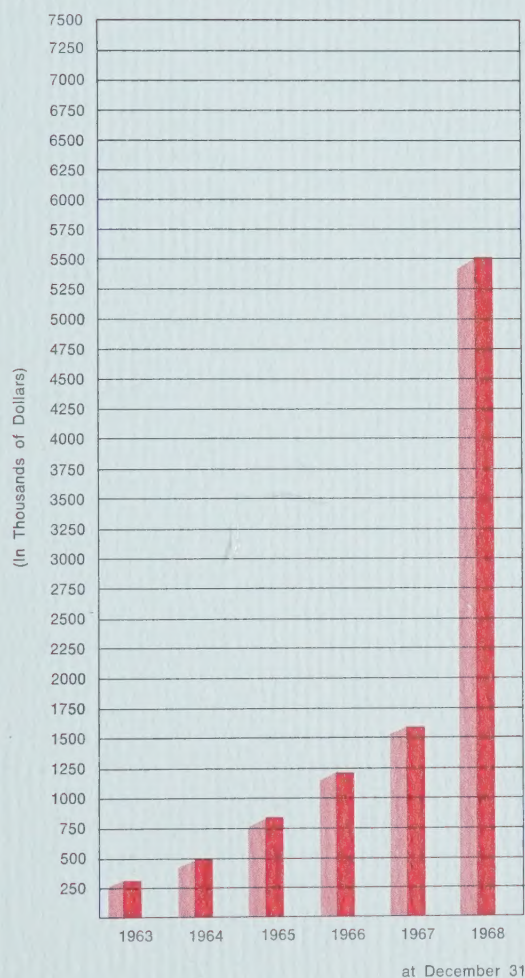
STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1968

(WITH COMPARATIVE FIGURES FOR 1967)

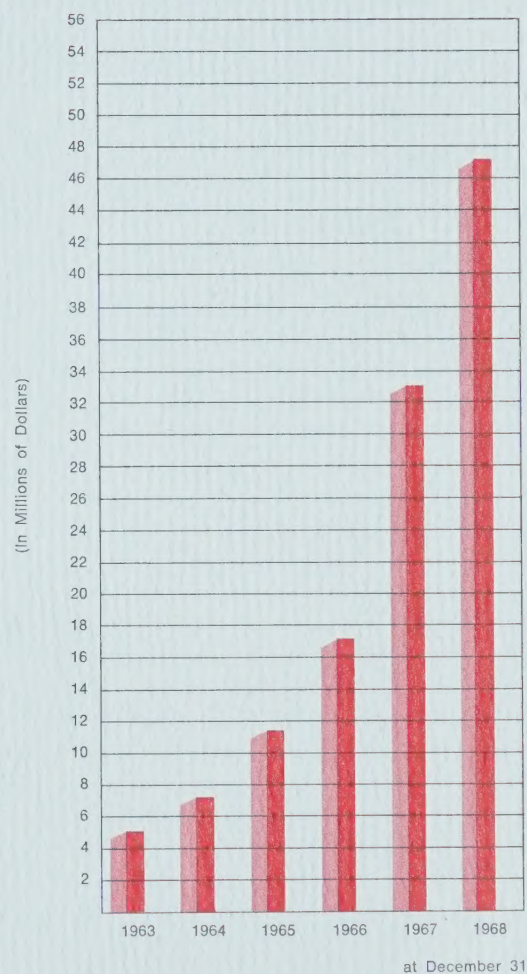
SOURCE OF FUNDS	1968	1967
Sale of Class 'A' shares		\$ 5,000
Sales of investments	\$251,750	341,200
Profit on warrant trading	18,771	51,543
Increase in deferred income (net)	19,627	40,122
	\$290,148	\$437,865
USE OF FUNDS		
Loss from operations	\$ 99,244	\$ 70,968
LESS: Expenditures not involving an outlay of funds		
Depreciation	\$ 20,274	\$ 4,005
Amortization of leasehold improvements	4,981	4,005
	\$ 25,255	\$ 8,010
	\$ 73,989	\$ 66,963
Increase in investment in subsidiary	700	8,688
Purchase of fixed assets	47,232	29,981
Increase in deferred assets	7,005	
Bank loan repayment		125,000
	\$128,926	\$230,632
Increase in funds	\$161,222	\$207,233
Working capital at beginning of year	276,369	69,136
Working capital at end of year	\$437,591	\$276,369

GROWTH OF ASSETS UNDER ADMINISTRATION



CANADIAN SECURITY GROWTH FUND LTD.

Canadian Security Growth Fund Ltd. is a diversified mutual fund with holdings in a variety of growth industries.



CANADIAN GAS AND ENERGY FUND LTD.

Canadian Gas and Energy Fund Ltd. is a specialty mutual fund investing in the oil, gas, energy and natural resource industries.

These graphs illustrate the growth of assets administered by Canadian Security Management Limited on behalf of the two funds under our management.

DIRECTORS

Graham C. Ferguson
J. S. Gairdner
J. Howard Hawke
C. W. Leonardi, F.C.A.
Francis J. McDonald

OFFICERS

J. S. Gairdner
Chairman of the Board
Graham C. Ferguson
President
Francis J. McDonald
Vice-President
John S. Ewald
Vice-President
B. Bruce Lockwood
Secretary
E. J. Dessailly
Treasurer
David W. Deyman
Assistant Treasurer
Mrs. Marlene L. Yates
Assistant Secretary

TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited
Montreal, Toronto,
Winnipeg, Vancouver

HOME OFFICE

Canada Square
2200 Yonge Street
Toronto 299, Canada

CANADIAN SALES OFFICES

G.P.O. Box 1225
McDonald Building
O'Leary Avenue
St. John's
Newfoundland

1 Sackville Place
P.O. Box 334
Halifax, Nova Scotia
349 St. George Street
Moncton
New Brunswick

Brunswick House
Suite 1405
P.O. Box 232
44 Prince William Street
Saint John
New Brunswick

Royal Trust Building
116 Albert Street
Suite 402
Ottawa 4, Ontario

Cleland & Flindall Building
837 Princess Street
Suite 402
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351 Charlotte Street
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Olympia Square
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Towne & Countrye Square
6464 Yonge Street
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24A Clapperton Street
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Stevens Building
65 Elm Street East
Sudbury, Ontario

360 St. Paul Street
St. Catharines
Ontario

460 Main Street East
Hamilton, Ontario

Argyle Mall
1925 Dundas Street
Suite 210
London, Ontario

Suite 207-8
Security Building
267 Pelissier Street
Windsor, Ontario
550 Avord Tower
Regina, Saskatchewan
600-6th Avenue S.W.
Suite 704
Calgary, Alberta
9990 Jasper Avenue
Suite 202
Edmonton, Alberta
Canadian Imperial Bank of
Commerce Building
550-6th Street
Room 220
New Westminster
British Columbia
Royal Bank Building
796 Granville Street
Vancouver 2
British Columbia
1070 Douglas Street
Suite 480
Victoria
British Columbia

INTERNATIONAL SALES OFFICES

Bank of Canton Building, Rooms 701-703,
Des Voex Road C,
Hong Kong.

Lindenstrasse 37,
6 Frankfurt/Main,
West Germany.

DEALERSHIPS MAINTAINED IN

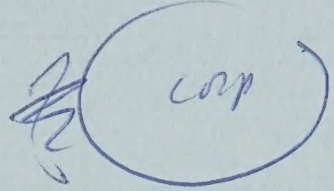
Paris, France
Brussels, Belgium
Zurich, Switzerland
Salzburg, Austria
The Hague, Netherlands

Milan, Italy
London, England
Managua, Nicaragua
Caracas, Venezuela
Quito, Ecuador

Lima, Peru
Montevideo, Uruguay
Buenos Aires, Argentina
Hamilton, Bermuda
Freeport, Bahamas
Curacao, Netherlands Antilles

Beirut, Lebanon
Kuwait, Kuwait
Singapore
Bombay, India
Bergen, Norway
Santiago, Chile

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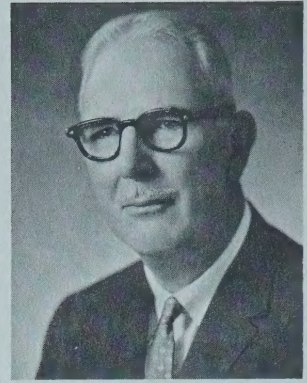


SEMI-ANNUAL REPORT

30 JUNE, 1968

CANADIAN SECURITY MANAGEMENT LIMITED

MESSAGE TO THE SHAREHOLDERS:



On behalf of the Directors I am pleased to submit a semi-annual report of your Company, and briefly review its progress for the year to date.

Sales for the first half of 1968 were very gratifying at \$14,595,318 compared to \$10,820,804 for the same period of last year.

Fees Receivable increased to \$951,048 from \$899,588 at the end of 1967. Total amount of contractual plans on record rose to \$55,208,650 from \$48,165,000. Assets under administration were at \$39,116,255 compared to \$34,754,103 at the end of last year.

Operating income for the period reached \$327,884 compared to \$234,124 for the same period last year. Expenses for the period increased to \$362,840 from \$309,292 by comparison. Operating deficit for the period was \$34,956 compared to \$75,168 for 1967. Net cash loss for this year was \$23,456 after including a non-recurring profit on the sale of investments of \$11,500.

During the first half year, three new branches were opened in Edmonton, Alta., New Westminster, B.C., and St. John's Nfld. The expense of opening these branches contributed to the loss for the period, however, it is felt that the resulting increase in sales representation in those areas will add momentum to sales growth and income as well as increase assets under administration and management fee benefits.

On behalf of the Board of Directors,

A handwritten signature in dark ink, appearing to read "G. A. Ferguson", written in a cursive style.

President

August 5, 1968



CANADIAN SECURITY MANAGEMENT LIMITED

MANAGERS AND DISTRIBUTORS OF

CANADIAN GAS AND ENERGY FUND LTD.

CANADIAN SECURITY GROWTH FUND LTD.

SUMMARY

	1968 (June 30)	1967 (Dec. 31)	1966 (Dec. 31)	1965 (Dec. 31)	1964 (Dec. 31)	1963 (Dec. 31)
Total Sales (cash or contract basis)	\$14,595,318	\$27,087,238	\$19,599,424	\$20,047,657	\$11,992,153	\$1,153,949
Fees — Sales	234,607	439,330	341,078	334,575	194,277	8,336
— Management	86,825	124,615	76,269	50,237	32,337	7,507
Other income	17,952	9,418	9,392	9,098	10,713	2,402
Total Income	339,384	573,363	426,739	393,910	237,327	18,245
Value of Contractual plans on record	\$55,208,650	\$48,165,000	\$33,685,150	\$22,217,700	\$9,763,750	\$952,160
Sales Fees receivable (after allowance for cancellation)	951,048	899,588	562,903	390,681	214,616	28,073
Assets under Administration	39,116,255	34,754,103	18,324,438	12,380,579	8,512,001	6,600,913
Number of Shareholders and Planholders in the Funds	16,322	13,979	10,872	7,961	4,101	1,821
Number of Representatives and Managers	271	240	195	213	151	60
Number of sales offices	21	17	18	15	9	2

STATEMENT OF SOURCE AND USE OF FUNDS FOR

THE SIX MONTHS ENDED JUNE 30, 1968

(WITH COMPARATIVE FIGURES FOR 1967)

SOURCE OF FUNDS	1968	1967
From operations	\$ (34,956)	\$ (75,168)
Add: Charges not involving an outlay of funds, amortization of leasehold improvements	2,470	2,101
Sale of investments	62,500	200,000
Profit on sale of securities and investments	11,500	41,200
Profit or (loss) on warrant trading	(153)	28,391
Increase in deferred income (net)	19,252	15,357
	<u>\$ 60,613</u>	<u>\$211,881</u>
 USE OF FUNDS		
Increase in investment in subsidiary	\$ 701	\$ 8,688
Purchase of fixed assets	20,979	22,801
	<u>\$ 21,680</u>	<u>\$ 31,489</u>
 INCREASE IN WORKING CAPITAL	\$ 38,933	\$180,392
Working capital beginning of year	276,369	69,136
 WORKING CAPITAL END OF PERIOD	<u>\$315,302</u>	<u>\$249,528</u>

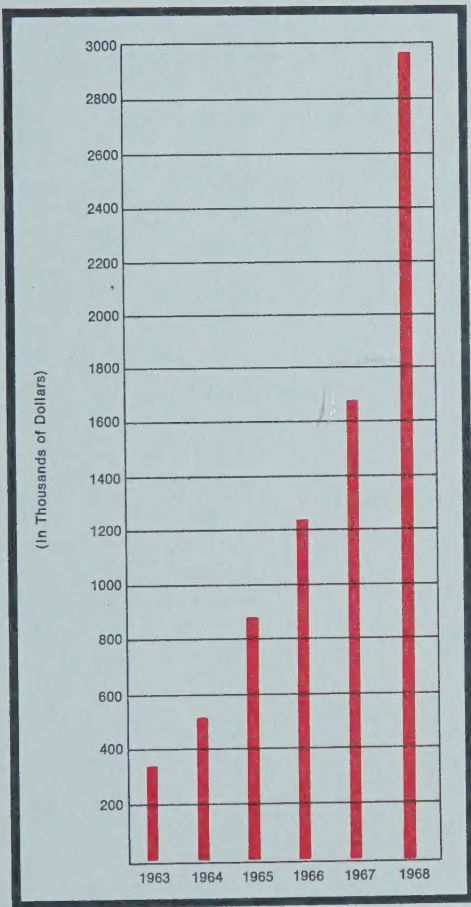
STATEMENT OF INCOME AND EXPENSES AND DEFICIT ACCOUNT

FOR THE SIX MONTHS ENDED JUNE 30, 1968

(WITH COMPARATIVE FIGURES FOR 1967)

	1968	1967
Gross operating revenue	\$339,384	\$275,324
Less: Total operating expenses	354,126	300,614
	<u>\$ (14,742)</u>	<u>\$ (25,290)</u>
Less: Debenture interest	8,714	8,678
Net loss for the period	<u>\$ (23,456)</u>	<u>\$ (33,968)</u>

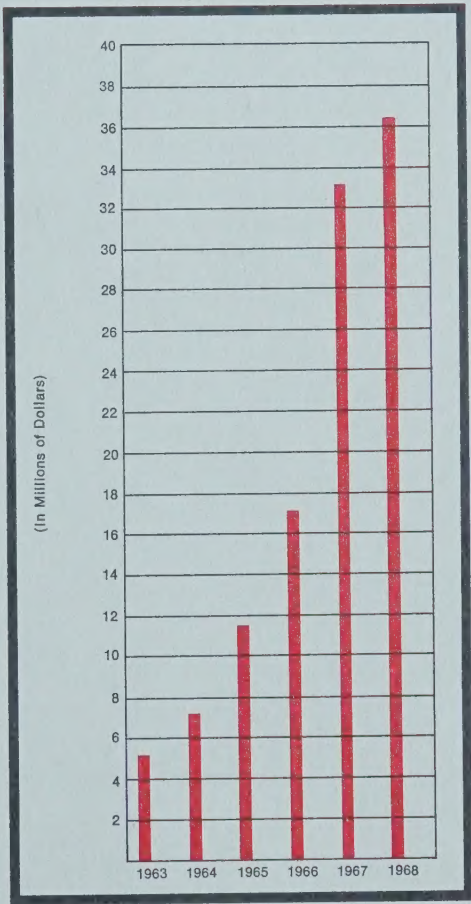
**GROWTH OF ASSETS
UNDER ADMINISTRATION**



At June 30, 1968

**CANADIAN SECURITY
GROWTH FUND LTD.**

Canadian Security Growth Fund Ltd. is a diversified mutual fund with holdings in a variety of growth industries.



At June 30, 1968

**CANADIAN GAS AND
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These graphs illustrate the growth of assets administered by Canadian Security Management Limited on behalf of the two funds under our management.

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600-6th Avenue S.W.
Suite 704
Calgary, Alberta

9990 Jasper Avenue
Suite 202
Edmonton, Alberta

Royal Bank Building
796 Granville Street
Vancouver 2, British Columbia

1070 Douglas Street
Suite 480
Victoria, British Columbia

Imperial Bank of Commerce
Building
550-6th Street
Room 220
New Westminster, British Columbia

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Suite 804
Hong Kong